

## **EXHIBIT 1**

### **INTRODUCTION**

From September 30, 1991, to October 1997, Respondent, Chong Ha, was the Director of the Stephen P. Teale Data Center (“Teale”), a California state agency that is within the Business, Transportation and Housing Agency. As the director of Teale, Respondent was a designated employee of Teale, as defined in Government Code Section 82019, subdivision (c), of the Political Reform Act (the “Act”),<sup>1</sup> and in Teale’s conflict of interest code.

As required by the Act and Teale’s conflict of interest code, each designated employee at Teale must file an annual statement of economic interests by April 1 of each year. On the statement of economic interests, each designated employee must disclose his or her reportable economic interests during the previous calendar year. Teale’s conflict of interest code requires its designated employees to disclose gifts worth \$50 or more from business entities that engage in the sale of data processing equipment or services.

In this matter, Respondent failed to disclose two reportable gifts on his 1996 annual statement of economic interests, which he timely filed by the April 1, 1997 due date. During the calendar year 1996, Respondent had received two separate gifts from two separate vendors, but failed to report these gifts. Both vendors engaged in the sale of data processing equipment, and one vendor was doing business with Respondent’s agency at the time of the gift.

For the purposes of this Stipulation, Respondent agrees to the following:

COUNT 1: In his 1996 statement of economic interests, filed on March 19, 1997, Respondent failed to disclose a gift worth \$50 or more from the Amdahl Corporation, to wit, a \$195 round of golf at a conference held in Pebble Beach, California, in violation of Section 87300.

COUNT 2: In his 1996 statement of economic interests, filed on March 19, 1997, Respondent failed to disclose a gift worth \$50 or more from Computer Associates, to wit, a \$145 payment in the form of admission privileges for his spouse at a conference held in Palm Springs, California, in violation of Section 87300.

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<sup>1</sup> The Act is contained in Government Code Sections 81000-91014. All statutory references are to the Government Code unless otherwise indicated. The regulations of the Fair Political Practices Commission appear at California Code of Regulations, Title 2, Sections 18109-18997. All regulatory references are to Title 2, Division 6, of the California Code of Regulations, unless otherwise indicated.

## **SUMMARY OF THE LAW**

An express purpose of the Act, as set forth in Section 81002, subdivision (c), is to assure that the assets and income of public officials, which may be materially affected by their official actions, be disclosed, so that conflicts of interest may be avoided.

In furtherance of this purpose, Section 87300 requires every agency to adopt and promulgate a conflict of interest code. The agency's conflict of interest code must specifically designate the employees of the agency who are required to file annual statements of economic interests disclosing their reportable economic interests. Under section 82019, subdivision (c), and section 87302, subdivision (a), the persons who are to be designated in an agency's conflict of interest code are the officers, employees, members, and consultants of the agency, whose position with the agency entails making, or participating in making, decisions that may have a reasonably foreseeable material financial effect on a financial interest.

Under Section 87302, subdivision (b), an agency's conflict of interest must require every designated employee of the agency to file an annual statement of economic interests, for each year that the employee remains in office, at a time specified in the agency's conflict of interest code. On each statement of economic interests, a designated employee must disclose his or her reportable investments, business positions, interests in real property, and sources of income (including gifts).

Under section 87300, the requirements of an agency's conflict of interest code have the force of law, and any violation of those requirements is deemed a violation of the Act.

## **SUMMARY OF THE FACTS**

From September 30, 1991 to October 1997, Respondent, Chong Ha, was the Director of Teale. As the Director, Respondent was a designated employee in Teale's conflict of interest code. Teale's conflict of interest code required Respondent to disclose on his annual statements of economic interests ("SEI") any gifts that he received with a value of \$50 or more from any business entity that engaged in the sale of data processing equipment or services.

### **COUNT 1**

#### **Failure to Disclose a Gift from the Amdahl Corporation**

On June 17, 18 and 19, 1996, Respondent attended a three-day conference that was sponsored by the Amdahl Corporation ("Amdahl"), and held at the Spanish Bay Resort in Pebble Beach. Amdahl is a business that sells data processing equipment and products.

On the second day of the conference, Respondent played a round of golf at Pebble Beach at Amdahl's expense. The value of the gift was \$195. Respondent was required by Teale's conflict of interest code to report this gift on his 1996 annual SEI. Respondent filed his 1996 SEI by the April 1, 1997 due date, but failed to disclose the gift that he received from Amdahl.

### **Additional Information Regarding the Amdahl Gift**

In June 1997, the California Bureau of State Audits concluded its own investigation of the events surrounding the Amdahl conference, and submitted a draft copy of its report to the Business, Transportation and Housing Agency. The report concluded that Teale improperly paid the \$395 conference fee for Respondent's attendance at the Amdahl conference, because the fee included a round of golf worth \$195. On July 14, 1997, Respondent reimbursed Teale \$195 for the round of golf that he received at Amdahl's expense on the second day of the conference.

### **COUNT 2**

#### **Failure to Disclose a Gift from Computer Associates International**

On February 21, 22, 23 and 24, 1996, Respondent attended a four-day conference in Palm Springs that was sponsored by the business software company, Computer Associates International ("CAI"). Respondent invited his wife to accompany him to the conference.

Respondent's invitation stated that the conference fee for "military and government guests" was \$350, and that each invitee, including military and government personnel, were invited to bring a "spouse or guest" at no additional charge. In response to a formal request from Respondent, Teale paid the \$350 conference fee to cover Respondent's attendance at the event, but did not pay for the attendance of Respondent's spouse.

According to a rough estimate in 1997 by CAI Senior Vice President/General Counsel Steven M. Woghin, CAI incurred \$145 in expenses for the attendance of Respondent's spouse at the conference. Respondent did not reimburse CAI for his spouse's attendance, and therefore received a gift from CAI of \$145. Respondent was required to report this gift on his 1996 annual SEI, but failed to do so.

### **CONCLUSION**

This matter consists of two counts, which carry a maximum possible penalty of Four Thousand Dollars (\$4,000). The agreed penalty in the case is Three Thousand Five Hundred Dollars (\$3,500).